

**Neomar  
Resources  
Limited**







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*Petroleum Engineer, President, Signalta Resources Limited*

†H. Dahl-Jensen, Unionville, Ontario  
*Realtor*

A. J. Fasken, Toronto, Ontario  
*Executive, Senior Vice President, Camflo Mines Limited*

\*Robert E. Fasken, Mississauga, Ontario  
*Mining Executive, Chairman, Camflo Mines Limited*

†K. G. R. Gwynne-Timothy, Q.C., Toronto, Ontario  
*Barrister and Solicitor, Senior Partner, Holden, Murdoch & Finlay*

\*Donald A. Engle, Calgary, Alberta  
*President, Neomar Resources Limited*

†\*Robert M. Smith, Oakville, Ontario  
*Mining Engineer, President, Camflo Mines Limited*

\*Member of the Executive Committee

†Member of the Audit Committee

David Doig, Toronto, Ontario  
Resigned February 28, 1981

## Officers and Staff (as at April 6, 1981)

Donald A. Engle — *President*

Robert E. Fasken — *Vice President*

Robert M. Smith — *Vice President*

William R. Robertson — *Secretary*

S. Blair Patrick — *Treasurer*

Robert D. Sherman — *Assistant Treasurer*

C. Bruce Burton — *Controller*

Yvon Rivard — *Geologist*

## Executive Office

Suite 877, Gulf Canada Square  
401 — 9th Avenue S.W.  
Calgary, Alberta T2P 3C5

## Head Office

Suite 3001, South Tower, P.O. Box 45  
Royal Bank Plaza  
Toronto, Canada M5J 2J1

## Transfer Agent and Registrar

Canada Permanent Trust Company  
Toronto, Ontario

## Auditors

Thorne Riddell  
Calgary, Alberta

## Solicitors

Holden, Murdoch & Finlay  
Toronto, Ontario

## Bankers

Canadian Imperial Bank of Commerce  
Calgary, Alberta

## Share Listing

The Toronto Stock Exchange  
Symbol NMR

## Annual Meeting of Shareholders

May 22, 1981, 11:00 a.m.  
Casson Room, The Westin Hotel  
Toronto, Ontario



# Directors' Report to the Shareholders

The year 1980 was the first in which the Corporation carried out a program of direct participation in the oil and gas industry in Canada and the United States. An office was established in Calgary in January, 1980, and during the year, a nucleus of experienced staff was assembled.

## Financial

In 1980 gross revenue from the production of petroleum and natural gas amounted to \$697,881, an increase of 154% from 1979. Again this year, production from certain of the corporation's properties was held back as a result of the current over-supply of natural gas.

Operations generated funds totalling \$211,755 compared with \$132,740 in 1979. Additional bank borrowings amounted to \$1,948,000. Under the provisions of an existing agreement, Camflo Mines Limited incurred expenditures of \$2,924,481 in connection with the Corporation's oil and gas exploration program in exchange for 1,208,159 treasury shares. As a result Camflo's interest in the Corporation increased from 25% to 53% during the year. Expenditures on petroleum and natural gas properties in 1980 amounted to \$5,212,844. Of this total, \$4,413,416 was spent in Canada and \$799,428 in the United States through a wholly-owned subsidiary.

## Oil and Gas Activities

The Corporation participated in the drilling of 150 wells during 1980, with 96 being successfully completed as gas wells; 7 were successful oil wells, and 47 were abandoned as dry holes. This represents an overall success ratio of 69%. At year end, proved and probable reserves are estimated to be 12.1 billion cubic feet of natural gas and 141,500 barrels of oil.

### Wells Drilled During 1980

	Gas	Oil	Dry	Total
Alberta	92	—	42	134
Saskatchewan	—	2	—	2
British Columbia	4	—	—	4
Kansas	—	5	5	10
Total	96	7	47	150

During 1980, the Corporation acquired significant acreage positions and committed to a number of oil and gas exploration programs in both Canada and the United States which will be exploited over the next two years and should add substantially to the Corporation's reserves.

The activity for 1980 and to date in 1981 is in keeping with the current philosophy of concentrating approximately 80% of the budget on lower-risk, cash-flow building prospects. The remaining 20% is being placed in higher-risk/high-reward prospects which have the opportunity to provide a significant positive impact on the Corporation.

The following paragraphs highlight some of the oil and gas exploration programs in which the Corporation is currently participating.

### Minburn Area, Alberta

Neomar participated in the drilling of four wells in this area during 1980, all being completed as gas wells. In one of the wells, Neomar's interest is 77.5% before payout, and 38.75% after payout; in two other wells 77.25% before payout and 38.625% after payout; and in the fourth well, 38.75% before and after payout. It is anticipated that at least

MINBURN AREA, ALBERTA Twp.49 Rgs.9&10W4M

☀	☀	☀	☀	☀	
	☀	☀			☀
	☀		☀	☀	☀
☀		☀	☀		
☀					



## Areas of Interest Neomar Resources









three of the four wells will be placed onstream in 1981.

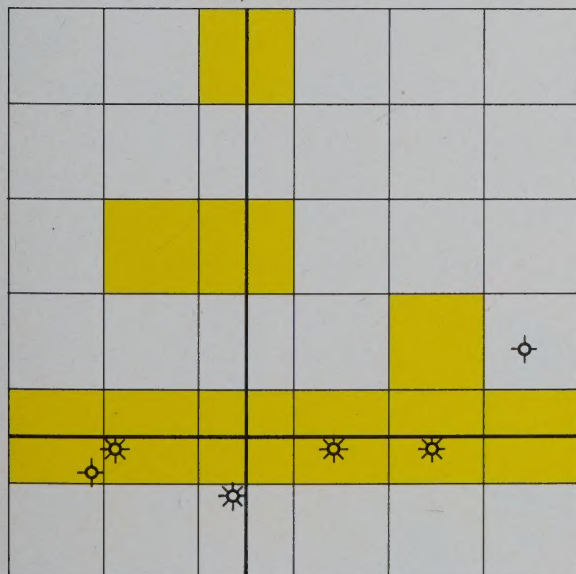
### Saskatchewan

Neomar participated in the drilling of two wells in Saskatchewan during the past year. At Leon Lake, Neomar has a 30% working interest in the well 3-25-8-19 W3M. At Cantuar, the well B11-6-16-16 W3M in which Neomar holds a 57% working interest, is producing at a rate of 40 barrels of oil per day. Development drilling on the Cantuar prospect is planned for 1981.

### Shekilie, B.C.

During 1980 Neomar participated in the drilling of one well on this prospect, which was a successful gas well. Four sections of land were acquired following drilling of the first well. To date in 1981, two additional gas wells have been drilled. Further seismic work is being undertaken on this prospect. These wells are currently shut-in awaiting markets for the gas. Our interest in this prospect is 20%.

SHEKILIE PROSPECT, B.C. 94-P-8



◀ Drilling Shekilie Well,  
Northeastern British Columbia



### United States

Through its wholly-owned subsidiary, Neomar Resources, Inc., the Corporation participated in the drilling of 10 wells in Kansas, of which 5 were completed as oil wells. A second 10 well program in Kansas is currently underway. As a result of the success encountered in the Kansas drilling programs, Neomar has embarked on a number of large acreage acquisition programs both on its own, and in association with U.S. partners. The acreage being acquired is considered to be on low risk type prospects. Partners are being acquired on a cost-promoted basis, thus enabling the Corporation to participate in the drilling of a large number of wells at low cost.

The Corporation is committed to participate in four wildcat prospects and one development prospect in the States of Montana, South Dakota, Colorado, and Kansas. By virtue of its participation in this program, the Corporation will earn a 12.5% working interest in approximately 23,000 acres. Drilling is scheduled to take place during the first six months of this year.

Neomar is participating in a waterflood project in the Tiger Flats Unit in Okmulgee County, Oklahoma. Drilling of nine wells is currently underway with water injection slated to commence in June. It is anticipated that oil recovery will commence six to nine months after commencement of water injection.



### Gold Interests

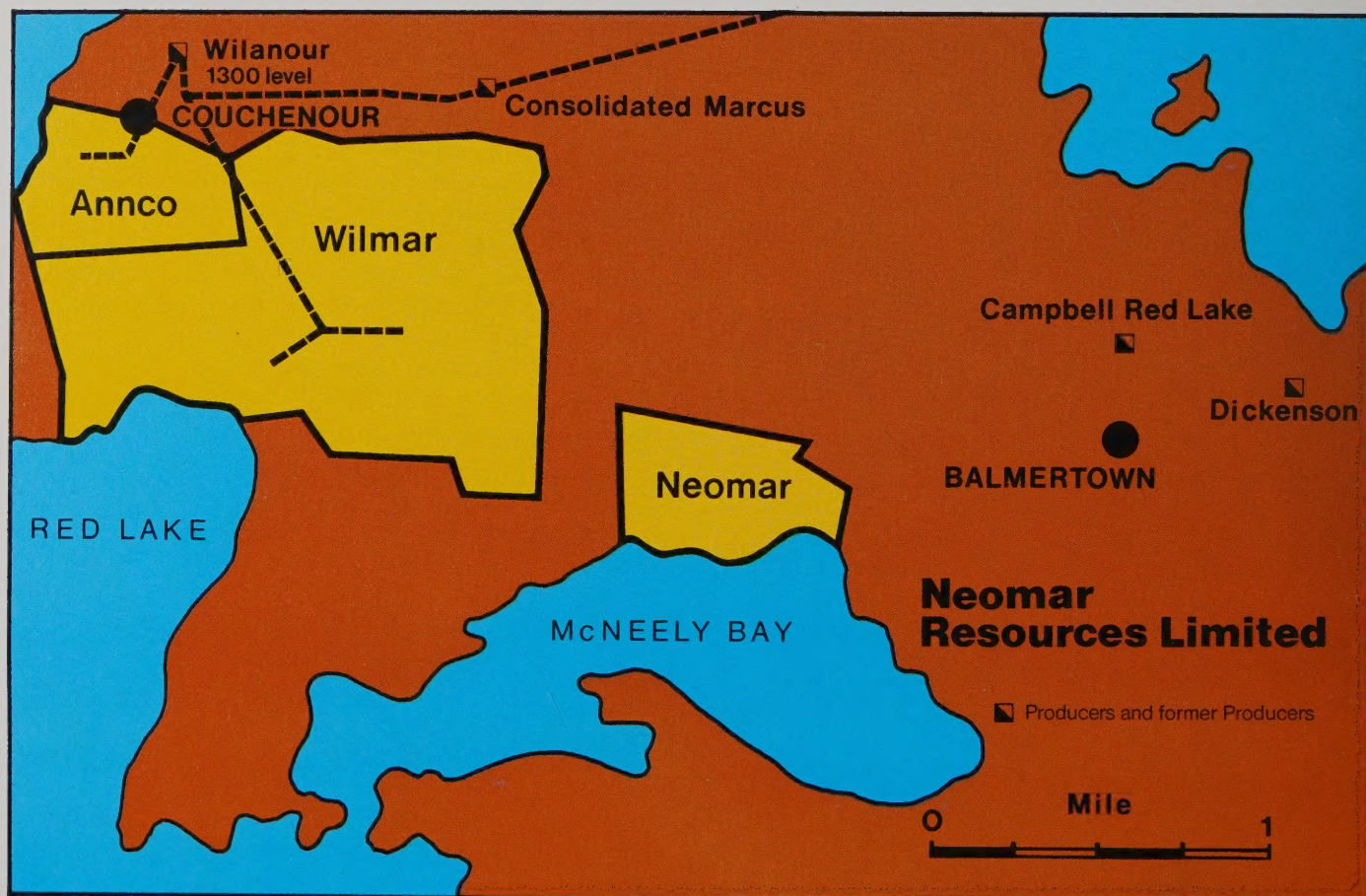
The Corporation has significant interest in several prospective gold properties in the Red Lake area of northwestern Ontario.

### Wilmar

Neomar has a 35% interest in Wilmar Mines Limited which ceased production in 1971 because of escalating costs and the prevailing price of gold. Extensive gold mineralization was located by 30,000 feet of surface diamond drilling in 1980. Results to date have not indicated sufficient tonnage to be mined profitably at the current price of gold. This program will be continued in 1981 as several good targets remain to be tested

from surface, however, the best exploration potential and indeed several ore bodies occur at depth.

As the Wilmar workings become accessible, by dewatering the mine shaft on the adjoining Wilanour Resources property, an underground exploration/development program will be carried out. The Wilmar property has an internal winze to 2,116 feet which can be reached from the Wilanour 1,300 foot level. Two zones are of particular interest at the present time; the Wilmar East Zone, and the Granodiorite Zone. The East Zone is small but high grade. It is open at depth and a good potential exists for finding lateral extensions of the known ore. The gold mineralization in the granodiorite is in a large vertical sill extending from surface to well





below 1,300 feet with a length of 600 feet and an average width of approximately 80 feet. While a considerable amount of exploration will be required to define the gold potential of this zone, the initial 30,000 ton test stope mined in 1975 averaged 0.10 ounces of gold per ton and a number of higher grade diamond drill intersections have been obtained. A new program of underground drilling of the granodiorite will be started in April, 1981. Initial production at a rate of less than 100 tons per day from development headings could start as early as the fall of 1981. The Wilanour mill is scheduled to resume operations at that time and although its main source of ore is expected to be from a Wilanour operation, some Wilmar ore may also be treated.

#### **Anncos**

Neomar has a 45% interest in Anncos Mines Limited. Anncos produced from 1965 to 1971, and its exploration potential is promising at today's gold prices. The Anncos property will also be accessible as a result of the dewatering program and underground exploration is scheduled to start in 1982.

#### **Neomar Claim Block**

In addition, Neomar owns a block of 5 claims located in Dome Township. Although preliminary surveys carried out in 1980 indicated that the geology is favourable for gold mineralization, no further work on this property is planned for 1981.

#### **Outlook**

Approximately \$5 million is budgeted to be spent in 1981 in Canada and the United States on oil and gas exploration. A significant portion of the Corporation's energies and funds have been directed to the United States from Canada. The general lack of markets for Canadian natural gas, the Federal Budget introduced in the fall of 1980 and the accompanying new National Energy Policy, have all combined to reduce the economic viability of operating in Canada. When these factors are compared with the significantly higher product prices, ready markets for natural gas, lower

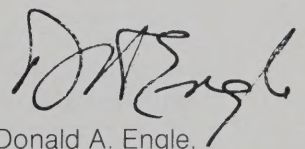
operating costs and producer netbacks which are several times higher in the United States than in Canada, it is intended that Neomar continue to increase investment levels in the United States. To this end, an office is planned to open by early summer in Denver, Colorado.

With respect to the Corporation's gold interests, 1981 will be the second year of major exploration and development work at Red Lake, Ontario. By the end of 1981, the Wilmar mine should be in production at limited tonnage.

With the significant increase in cash flow during 1980, the projected increase during 1981, and the financial support provided from Camflo, the Corporation remains in an excellent position to continue its aggressive stance in the oil, gas and gold industries.

I am pleased to be able to submit this report to the shareholders on behalf of the directors. The Corporation has, during 1980, enjoyed a high degree of success and growth, and we look forward to an even better year in 1981.

On behalf of the Board of Directors,



Donald A. Engle,  
President.

April 6, 1981.

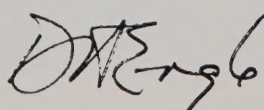


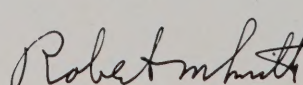
# Consolidated Balance Sheet

as at December 31, 1980

<b>Assets</b>	<b>1980</b>	<b>1979</b>
<b>Current assets</b>		
Cash and term deposits .....	\$ 143,882	
Accounts receivable .....	466,397	\$ 15,330
Receivable from Camflo Mines Limited .....	125,040	363,240
Marketable securities (quoted market value 1980, \$1,294,975; 1979, \$630,175) .....	234,275	234,275
Prepaid expenses and deposits .....	19,443	12,335
	<u>989,037</u>	<u>625,180</u>
<b>Investments and advances</b> (note 2) .....	32,135	28,873
<b>Fixed assets</b> (note 3) .....	6,960,679	1,875,826
	<u>\$7,981,851</u>	<u>\$2,529,879</u>
<b>Liabilities</b>	<b>1980</b>	<b>1979</b>
<b>Current liabilities</b>		
Bank indebtedness (note 4) .....	\$ 264,271	\$ 87,566
Accounts payable and accrued liabilities .....	321,909	72,142
Principal due within one year on bank production loan .....		112,000
	<u>586,180</u>	<u>271,708</u>
<b>Bank production loan</b> (note 4) .....	2,648,000	588,000
<b>Deferred production revenue</b> .....	87,197	
	<u></u>	<u></u>
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 5)		
Authorized		
5,000,000 shares without par value		
Issued and to be issued		
3,096,097 (1979 — 1,837,938) shares .....	5,940,903	2,951,422
<b>Deficit</b> .....	(1,280,429)	(1,281,251)
	<u>4,660,474</u>	<u>1,670,171</u>
	<u>\$7,981,851</u>	<u>\$2,529,879</u>

Approved by the Board

 Director

 Director



# Consolidated Statement of Operations and Deficit

Year Ended December 31, 1980

	1980	1979
<b>Revenue</b>		
Petroleum and natural gas . . . . .	\$ 697,881	\$ 274,292
Interest . . . . .	22,147	25,551
	<u>720,028</u>	<u>299,843</u>
<b>Expenses</b>		
Operating . . . . .	124,388	38,832
Administrative . . . . .	189,739	92,119
Depletion and depreciation . . . . .	210,933	72,500
Interest on long-term debt . . . . .	173,574	19,100
Other interest . . . . .	20,572	17,052
	<u>719,206</u>	<u>239,603</u>
<b>Net Income</b> . . . . .	<u>822</u>	<u>60,240</u>
<b>Deficit at beginning of year</b> . . . . .	<u>1,281,251</u>	<u>1,341,491</u>
<b>Deficit at end of year</b> . . . . .	<u>\$1,280,429</u>	<u>\$1,281,251</u>

# Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1980

	1980	1979
<b>Working capital derived from</b>		
Operations . . . . .	\$ 211,755	\$ 132,740
Increase in deferred revenue . . . . .	87,197	
Increase in bank production loan . . . . .	1,948,000	700,000
Reduction in current maturities on bank production loan . . . . .	112,000	
Issue of shares . . . . .	2,989,481	
	<u>5,348,433</u>	<u>832,740</u>
<b>Working capital applied to</b>		
Purchase of fixed assets . . . . .	5,295,786	894,561
Increase in investments . . . . .	3,262	25,440
Principal due within one year on bank production loan . . . . .		112,000
	<u>5,299,048</u>	<u>1,032,001</u>
<b>Increase (decrease) in working capital</b> . . . . .	<u>49,385</u>	<u>(199,261)</u>
<b>Working capital at beginning of year</b> . . . . .	<u>353,472</u>	<u>552,733</u>
<b>Working capital at end of year</b> . . . . .	<u>\$ 402,857</u>	<u>\$ 353,472</u>



## Auditors' Report

To the Shareholders of  
Neomar Resources Limited

We have examined the consolidated balance sheet of Neomar Resources Limited as at December 31, 1980 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.  
March 30, 1981

THORNE RIDDELL  
Chartered Accountants

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## MANAGEMENT REPORT

The annual report and financial statements have been prepared by management and approved by the Board of Directors. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in the annual report including the financial statements.



D. A. Engle, President



S. B. Patrick, Treasurer

## Notes to Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1980

The Company is incorporated in Ontario under The Business Corporations Act and is a public company listed on the Toronto Stock Exchange. As at December 31, 1980 approximately 53 percent of the issued shares of the Company were owned by Camflo Mines Limited. The principal activity of the Company consists of the exploration for and development of natural resources in Western Canada and through its wholly-owned subsidiary in the United States.

### 1. Summary of Significant Accounting Policies

(a) Basis of Presentation  
Subsidiary Company

These financial statements include the accounts of the Company and its wholly-owned United States subsidiary, Neomar Resources, Inc.

Marketable Securities

Marketable securities are carried at the lower of cost and market and consist of an investment in an affiliated company.

Joint Ventures

Substantially all of the exploration and development activities of the Company are conducted jointly with others and accordingly these financial statements reflect only the company's proportionate interest in such activities.



(b) Petroleum and Natural Gas

The Company follows the full cost method of accounting for petroleum and natural gas whereby all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing property, costs of drilling both productive and unproductive wells and related production equipment. Proceeds received on disposal of properties are ordinarily credited against such costs. Depreciation and depletion are provided on the net costs using the composite unit of production method based on total estimated proven reserves as determined by independent engineers.

(c) Mining Claims

Expenditures on mineral exploration programmes are deferred on a specific project basis until the economic viability of the project is determined. If a project is developed, the related accumulated costs are amortized against future earnings from that project. If a project is abandoned the accumulated project costs are charged to operations.

(d) Foreign Currency Translation

The Company translates amounts in foreign currencies into Canadian dollars on the following basis:

- (i) Current assets and liabilities, at exchange rates prevailing at the year end.
- (ii) All other assets and liabilities at exchange rates prevailing at the date the assets were acquired or the liabilities incurred.
- (iii) Revenue and expenses at the average rate for the year except for depreciation and depletion which are translated on the same basis as the related assets.
- (iv) Unrealized foreign exchange gains and losses are included in operations.

## 2. Investments and Advances

	1980			1979
	Shares	Advances	Total	Total
Ancco Mines Limited (45% owned) .....	\$ 1	\$ 6,322	\$ 6,323	\$ 4,569
Wilmar Mines Limited (35% owned) .....	1	25,808	25,809	24,301
Other companies .....	3		3	3
	<u>\$ 5</u>	<u>\$32,130</u>	<u>\$32,135</u>	<u>\$28,873</u>

## 3. Fixed Assets

	1980			1979
	Cost	Accumulated Depletion and Depreciation	Net	Net
Petroleum and natural gas rights including exploration, development and equipment thereon				
— Canada .....	\$5,981,456	\$327,152	\$5,654,304	\$1,428,917
— United States .....	992,046	23,743	968,303	184,118
	<u>6,973,502</u>	<u>350,895</u>	<u>6,622,607</u>	<u>1,613,035</u>
Mining claims .....	269,122		269,122	262,791
Furniture and fixtures .....	76,611	7,661	68,950	
	<u>\$7,319,235</u>	<u>\$358,556</u>	<u>\$6,960,679</u>	<u>\$1,875,826</u>

## 4. Bank Production Loan

The bank production loan and bank indebtedness are secured by marketable securities, an assignment of accounts receivable and certain of the company's petroleum and natural gas properties. Interest is payable at bank prime rate (December 31, 1980, 18¼%) plus one-half of one percent.

The estimated amount of bank production loan repayments for the five years subsequent to December 31, 1980 are as follows: 1981 — nil; 1982 — nil; 1983 — \$280,000; 1984 — \$576,000; and 1985 — \$576,000.



## 5. Capital Stock

(a) During the year, the Company issued shares in its capital stock as follows:

	Number of Shares	Amount
Balance, December 31, 1979 .....	1,837,938	\$2,951,422
Issued and to be issued for exploration and development expenditures ..	1,208,159	2,924,481
Issued on exercise of stock options for cash .....	50,000	65,000
Balance, December 31, 1980 .....	<u>3,096,097</u>	<u>\$5,940,903</u>

Under the terms of an agreement dated August 13, 1979 between Camflo Mines Limited (Camflo), the Company's parent and the Company, Camflo agreed to incur expenditures totalling \$4,000,000 on Canadian exploration and development in the Company's oil and gas exploration program for 1,519,047 shares in the capital stock of the Company. As at December 31, 1980 Camflo had expended \$2,924,481 for 1,208,159 shares.

- (b) During 1980, Wilmar Mines Limited (Wilmar) in which the Company has a 35% interest formed a partnership with Camflo to carry out exploration, development and rehabilitation of the Wilmar property near Red Lake, Ontario. Wilmar contributed the property and Camflo has agreed to spend \$3,500,000 and has an option to spend a further \$1,500,000 on exploration and development of the property before December 31, 1981. Camflo has to assign 35% of its interest in the partnership to the Company for shares in the capital stock of the Company before the earlier of the day in which the property shall be in commercial production and February 2, 1983. As at December 31, 1980, up to 445,636 shares of the Company have been reserved for issuance under this agreement and \$1,453,000 had been expended by Camflo. The Company will assign the interest in the partnership to Wilmar in exchange for a number of shares to be determined in the capital stock of Wilmar.
- (c) As at December 31, 1980, 10,000 shares of the capital stock of the Company have been reserved for exercise of employee stock options to 1983 at \$3.74 per share. All options were granted under an employee stock option plan. At December 31, 1980, an additional 90,000 shares were reserved for options that may be granted under the plan.

## 6. Income Taxes

As at December 31, 1980 petroleum and natural gas rights of \$2,924,000 (1979 — \$463,000) relate to acquisitions made in accordance with certain provisions of the Income Tax Act (Canada) under which such amounts are not deductible for income tax purposes by the Company.











# NEOMAR RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

For the six months ended June 30, 1980  
(Unaudited)

	1980	1979
Share of revenue from petroleum and natural gas operations . . . . .	\$ 356,801	\$ 122,589
Less: Operating expenses . . . . .	45,456	12,533
Depreciation and depletion of petroleum and natural gas interests . . . . .	86,703	29,618
	132,159	42,151
Income from petroleum and natural gas interests . . . . .	224,642	80,438
Administrative expenses . . . . .	113,726	40,766
Depreciation . . . . .	4,310	
Interest (including interest of \$75,328 on long term debt . . . . .	84,716	2,449
	202,752	43,215
	21,890	37,223
Other income . . . . .	6,111	12,190
Net income for the period . . . . .	\$ 28,001	\$ 49,413
Earnings per share . . . . .	\$ .01	\$ .03

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the six months ended June 30, 1980  
(Unaudited)

	1980	1979
<b>Working Capital derived from</b>		
Operations . . . . .	\$ 119,014	\$ 79,031
Issue of common shares . . . . .	700,000	
Proceeds of bank loan . . . . .	244,000	
	1,063,014	79,031
<b>Working Capital applied to</b>		
Petroleum and natural gas interests . . . . .	1,236,704	565,770
Deferred exploration expenditures . . . . .	1,490	
Advances to other companies . . . . .	2,205	
Purchase of fixed assets . . . . .	49,742	
Decrease in long term debt . . . . .	71,000	
	1,361,141	565,770
Decrease in Working Capital . . . . .	298,127	486,739
Working Capital at beginning of period . . . . .	353,472	552,733
Working Capital at end of period . . . . .	\$ 55,345	\$ 65,994

Printed in Canada

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**Neomar**  
NEOMAR RESOURCES LIMITED

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## INTERIM REPORT TO SHAREHOLDERS

For the Six Months ended June 30, 1980



## NEOMAR RESOURCES LIMITED

Suite 877  
Gulf Canada Square  
401 9th Avenue, S.W.  
Calgary, Alberta  
T2P 3C5

### To the Shareholders:

Please find attached the Consolidated Statements of Income and Changes in Financial Position for the six months ended June 30, 1980 together with comparative figures for the same period last year.

Net income for the first six months of 1980 was \$28,001 or \$.01 per share compared with \$49,413 or \$.03 per share in the comparable period in 1979.

Gross revenue from petroleum and natural gas production for the first half of 1980 was \$356,801 compared with \$122,589 received in the same period in 1979. Petroleum and natural gas income increased to \$224,642 from \$80,438.

During the six months ended June 30, 1980, operations provided \$119,014 of working capital. This source of funds together with increased bank borrowings of \$244,000 and equity financing of \$700,000 by Camflo Mines Limited in exchange for the issuance of 350,000 common shares from treasury were applied to increasing the Company's petroleum and natural gas interests by \$1,236,704. Working capital declined by \$298,127 during the period to \$55,345 at June 30, 1980.

### OPERATIONS

#### Oil & Gas

#### New Activities

Since opening an office in Calgary in early 1980 a total of 8 wells have been drilled, with 5 having been completed successfully. Four of these successes are gas wells, 3 of which are in British Columbia, and 1 in Alberta. All of these wells have development drilling locations which will be pursued in the future. The fifth well is an oil well located in Ellsworth County, Kansas, U.S.A., in which a 13.5% working interest is held. Your Company is committed to drill a total of 11 wells in Kansas this year and the program is now underway. With the current impasse between the Canadian Federal and Provincial Governments over pricing and markets for oil and gas, it appears prudent that a portion of our efforts be dedicated to the United States where ready markets exist at favourable prices for oil and gas.

#### Signalta Joint Venture — East Central Alberta

As of July 15, 1980, a total of 49 wells have been drilled this year, with 35 being successfully completed as gas wells. It is expected that approximately 50 wells will be

drilled under this program during the remainder of the year. Most of the successful wells will be in production by year end.

#### West Viking — East Central Alberta

To date 8 wells have been drilled in this gas contract area, with 5 successful completions.

#### Gold

Surface drilling of the granodiorite pipe on the 35% owned Wilmar property continues to give encouraging results. Two holes of considerable significance were drilled recently at depths of more than 500' below surface. The first averaged 0.13 ounces of gold per ton over a core length of 25' and the second intersected 5' of 0.53 followed by a deeper section of 10' that averaged 0.28. The dewatering programme is making good progress and by the end of July the water level had been lowered to a depth of 500'. Underground exploration will commence later this summer.

The initial phase of the general surface exploration programme on the main claim groups is almost complete. Correlation of this work with the existing underground information is proceeding well and surface drilling is being used to complement this work. The first hole in a new area to the east of the granodiorite intersected 7.5' which averaged 0.26 ounces of gold per ton.

Neomar and Wilanour Resources Limited have entered into an agreement with Camflo Mines Limited which provides up to an additional \$1,500,000 of development financing for the Wilmar property. Neomar has agreed to issue 125,000 treasury shares, subject to the approval of regulatory authorities, and allow Camflo the related tax deductions in consideration for its 35% share in these expenditures.

Additional surface work is planned for the Company's wholly owned property in the same general area late in the season.

Donald A. Engle  
President

August 21, 1980